



## International Agricultural Trade Report

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### EU Resists Mounting Pressure to Accelerate Wheat Export Pace

#### Summary

The EU Commission has maintained a relatively passive wheat export subsidy program so far in 1998/99, especially considering they were pilloried by traders for last year's cautious export campaign, and now face mounting domestic supply and price pressures (just as in the United States). However, with the resumption of import demand from North Africa, especially Egypt, the EU will undoubtedly use subsidies to ensure its wheat is advantageously priced.

#### EU Shows Export Restraint, So Far

Wheat export licence awards are lagging 200,000 tons behind their historic average for this time of the year, and 20% behind the pace needed to reach the current USDA export forecast for 1998/99. In addition, the level of export subsidy has simply maintained rather than increased the \$5-6 discount of French wheat relative to SRW.

#### Despite Internal Pressures

The prospect of a bumper grain crop, including a record wheat harvest, and a resurgence of government (intervention) stocks have helped cause a nearly 20% drop in French wheat prices since January. Internal prices have now been slashed in half since serious CAP reform began five years ago and French farmers have not seen prices this low since the 1960s.

#### And, Unfavorable International Market Conditions

Too much wheat is chasing too little demand in the key markets of North Africa and the Middle East. With abundant global exportable supplies and strong competition among a variety of regional exporters, prices will remain under pressure.

#### Perhaps Because They Have Their Own Agenda

Brussels may be temporarily restricting exports to add to seasonal price pressures generated by prospects for a record harvest. This would help stimulate domestic use of grain at the expense of imported non-grain feed ingredients, and strengthen the case for continued CAP reforms necessary to meet future budgetary and WTO export subsidy constraints.

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